

## **PUBLIC EMPLOYEES RETIREMENT BOARD MEETING AND RETREAT**

August 14 and 15, 2005

8:30 A.M.

The Annual Board Meeting and Retreat of the Public Employees Retirement Board convened at 1:00 p.m., Sunday, August 14, 2005, at the Lied Conference Center, 2700 Sylvan, Nebraska City, Nebraska.

The Board members were notified of this meeting by mailing dated August 5, 2005. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, August 8, 2005. Mr. Peters chaired the meeting and Ms. Linder recorded the minutes.

MEMBERS PRESENT:	CHARLES PETERS, CHAIR
	DENIS BLANK
	WILLIAM HASTINGS
	ROGER REA
	DALE KAHLA
	MARK SHEPARD
	GLENN ELWELL
	CAROL KONTOR, EX-OFFICIO

MEMBERS ABSENT:	JULIA MOELLER, VICE-CHAIR
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### **NONMEMBERS PRESENT:**

ANNA SULLIVAN	DAVE SLISHINSKY
Director	Buck Consultants
JASON HAYES	MICHELLE DeLANGE
Legislative Retirement Counsel	Buck Consultants
JOE SCHAEFER	SHEILA LINDER
Legal Counsel	Administrative Assistant
TERESA ZULAUF	
Internal Auditor	

**Meeting Called to Order:** Chairperson Peters called the August 14 and 15, 2005, Board Meeting and Retreat to order at 1:20 p.m. Present at roll call: C. Peters, D. Blank, R. Rea, D. Kahla, M. Shepard, G. Elwell, and C. Kontor. Absent: J. Moeller and W. Hastings.

**Motion to Excuse Member:** Mr. Blank moved to excuse Ms. Moeller. Mr. Rea seconded the motion. Members voted as follows: For: D. Blank, W. Hastings, R. Rea, D. Kahla, M. Shepard, G. Elwell, and C. Peters. Against: None. Motion carried.

Judge Hastings arrived at the meeting at 1:24 p.m.

**Overview of Fiduciary Duties:** Materials on Fiduciary Duties were sent to the PERB in the Board packets. Mr. Schaefer reviewed the information provided.

Ms. Kontor asked if there are any areas where we are at risk. Mr. Schaefer stated that funding and the political environment seems to be the most problematic right now.

**Role of PERB:**

**DC vs. DB Debate:** Mr. Schaefer stated he attended the NAPPA Conference and one of the hot topics is DB vs. DC. He distributed copies of some of the slides from a presentation given at the conference and reviewed the information.

There was considerable discussion about the DC vs. DB debate and whether the Board will have a duty to take a position for the benefit of the plan members.

Mr. Shepard suggested providing more information to the various membership groups as a possible way of doing something.

Mr. Peters noted we have asked constituent bodies in the past to come forward and meet with the Board about their views and goals.

The Board took a break at 3:45 p.m. and reconvened at 4:12 p.m.

**Actuary Topics:**

**Review of Cash Balance Assumptions:** Mr. Slishinsky distributed a Summary of Actuarial Assumptions for the Cash Balance Benefit Fund. After next year we may want to do an analysis once we have three years of experience.

**Funding Methodology:** Mr. Slishinsky reviewed the *Review of Actuarial Method Change Proposed Under LB 686 of September 2001*. This review by Buck Consultants resulted in legislation, which took affect in 2002.

The Board recessed at 5:35 p.m. for dinner.

The Board Meeting reconvened at 7:43 p.m.

**Actuary Topics (cont'd):** Mr. Slishinsky continued with a review of the *Review of Actuarial Method Change Proposed Under LB 686* and what the change achieved.

The Service Annuity and the Omaha Service Annuity were explained in detail to the Board members. A copy of the "Allocation of Contribution Between School Excess Formula Annuity and Service Annuity Including Retirees" was distributed and reviewed.

**Recess:** The Board recessed at 9:00 p.m.

**Roll Call:** The Board Meeting reconvened at 8:33 a.m., Monday, August 15, 2005. Present at roll call: Present at roll call: C. Peters, D. Blank, W. Hastings, R. Rea, D. Kahla, G. Elwell, and C. Kontor. Absent: M. Shepard and J. Moeller.

**Motion to Excuse Member:** Mr. Rea moved to excuse Mr. Shepard for the second day only of the Retreat. Mr. Blank seconded the motion. Members voted as follows: For: W. Hastings, R. Rea, D. Kahla, M. Shepard, G. Elwell, C. Peters, and D. Blank. Against: None. Motion carried.

**Actuary Topics (cont'd):**

**Policy for Benefit Improvements:** Mr. Slishinsky reviewed what has occurred the last two years regarding granting a dividend payment in the Cash Balance plan both years.

Mr. Blank suggested amending Policy 10 to give the Board the ability to use a different figure other than 8% in granting a dividend, if the Board would choose to do so. Ms. Sullivan stated that she and Mr. Schaefer are planning to review policies and Rules and Regs at the September meeting. She stated Policy 10 can be discussed and worked on between now and the September meeting. Ms. Sullivan is reviewing the Board Policies and Mr. Schaefer is working on Rules and Regs. Ms. Sullivan asked the Board members to pull out their copy of Policy 10 and fax or email her their recommendations. Mr. Blank asked that Policy 10 be put on the Agenda for the September meeting.

**Meetings with Investment Council:** The joint meeting with the Nebraska Investment Council will be held on Monday, November 14, 2005.

**Lied Lodge & Conference Center Welcome and Brief Presentation:** Staff from the Lied Lodge and Conference Center provided a brief and very interesting presentation on the history of the Lied Lodge, Arbor Lodge, and the surrounding area.

The Board took a break at 9:48 a.m. and reconvened at 10:15 a.m.

**Regular Monthly Business Items:**

**Travel Approval:** Sgt. Elwell would like to attend an International Foundation Certificate of Achievement in Public Plan Policy (CAPPP) program September 27-30 in Chicago on employee pensions at the public level and employee health type benefits. Judge Hastings moved to approve Sgt. Elwell's travel request. Mr. Rea seconded the motion. Members voted as follows: For: R. Rea, D. Kahla, G. Elwell, C. Peters, D. Blank, and W. Hastings. Against: None. Motion carried.

**Approval of Minutes:** Mr. Blank moved for approval of the July 18, 2005, Board Meeting Minutes. Motion was seconded by Sgt. Elwell. Members voted as follows: For: D. Kahla, G. Elwell, C. Peters, D. Blank, W. Hastings, and R. Rea. Against: None. Motion carried.

Ms. Sullivan asked if the Minutes include too many details. If there is feedback, the Board Members were asked to provide input to Ms. Sullivan or Ms. Linder.

**Approval of Budget Status Report & July Retirement Report:** Judge Hastings moved to approve the budget status report and the July Retirement Report. Motion was seconded by Mr. Rea. Members voted as follows: For: G. Elwell, C. Peters, D. Blank, W. Hastings, R. Rea, and D. Kahla. Against: None. Motion carried.

Mr. Blank left the meeting at 10:45 a.m.

**Director's Report:** Ms. Sullivan reported she met with Mike Smith, the Director of the Omaha Retirement System, in July. She also had the opportunity to attend School Administrator Days in Kearney. She held a session in which salary spiking was one of the key issues.

Ms. Sullivan has been working with Ms. Kontor and Ameritas on the new investor select fund, soon to be available to DC plan members, and which will mirror the investment of DB plans. This needs to be ready to go by the first part of September. Information will go out in the third quarter State and County newsletter.

She has been working on an ad hoc committee with Mr. Gerke, the Accounting and Finance Manager, and Mr. Niewohner, the IT Manager, looking at the future and where we will be in five years with regard to IT items.

The State and County Exit Conference was held on the audit. She expects to have the draft report to respond to soon. The auditor presentation of the report will probably be made at the October meeting. The new Audit Associate position has been filled. The responsibility of this position is to audit employers and their data, due to recent law changes.

Mr. Schaefer is working on five Rules that he is concentrating on right now. The Board will review the rules prior to the public hearings being held.

Mr. Rea asked about adding beneficiaries to the annual statement. Ms. Sullivan stated she discussed this with the Data Services Manager. This possibly could be placed on the annual statement next year, but cannot be done this year because the statement has already been set up and will be mailed later this month.

**NIC Update:** For the fiscal year ending June 30, the rate of return for the DB plans was 9.6%. For the three years ending June 30, the rate of return was 9.9%. For the five years ending June 30, the rate of return was 3.6% with \$5.7 billion dollars in the DB plans. The Cash Balance rate of return was 8.9% for the year ending June 30, with total assets of \$423 million.

The Investment Council will meet next Tuesday.

Ms. Kontor mentioned the Asset Liability Study prepared by Ennis Knupp that was briefly referred to yesterday. Mr. Slishinsky stated that the difference from actuarial reports and this report is due to the fact that the actuary looks 40 to 50 years out and the investment consultant looks out only 10 years. Mr. Slishinsky will quantify the difference at the November joint meeting.

**Auditor Update:** Mr. Peters asked Ms. Zulauf for an update for informational purposes. She stated she sees her role to the Board is to make sure the procedures of the office are good procedures and they can be relied upon. With LB 503 and the testing that will be done, we can insure that everyone becomes a member of the plan when they should be a member. Mr. Peters confirmed that Ms. Zulauf is able to come directly to the Board if she sees a problem. Ms. Sullivan that Ms. Zulauf and Mr. Schaefer are bound to come to the Board if they are aware of problems that are not being addressed. Mr. Schaefer stated his ethical duty is higher than his duty as an employee of NPERS.

**Executive Session:** At 11:05 a.m., Mr. Rea moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing disability applications from plan members and an update on legal matters. The motion was seconded by Mr. Kahla. Members voted as follows: For: C. Peters, W. Hastings, R. Rea, D. Kahla, and G. Elwell. Against: None. Motion carried.

At 11:32 a.m., Judge Hastings moved that the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by Mr. Rea. Members voted as follows: For: W. Hastings, R. Rea, D. Kahla, G. Elwell, and C. Peters. Against: None. Motion carried.

Mr. Rea moved that the disability application of M. Tomek be denied. Sgt. Elwell seconded the motion. Members voted as follows: For: R. Rea, D. Kahla, G. Elwell, C. Peters, and W. Hastings. Against: None. Motion carried.

Mr. Kahla moved that the disability applications of J. Wilder, R. Pankoke, and E. Roop be approved. Mr. Rea seconded the motion. Members voted as follows: For: D. Kahla, G. Elwell, C. Peters, W. Hastings, and R. Rea. Against: None. Motion carried.

**Carryover Legislation/Interim Studies:** Mr. Schaefer stated he discussed the Interim Studies with Mr. Hayes. He reviewed each of them briefly with the Board, as well as Mr. Hayes' tentative action plan for each one this fall.

**Representation:** Ms. Sullivan distributed a copy of a letter from Dale Rathe informing the Board that he will no longer be representing the retiree group of the teacher's union at the Board meetings. A Resolution by the Board will be placed on the September Board Agenda.

At 11:55 a.m. the Board recessed for lunch. Sgt. Elwell left the meeting at 11:55 a.m.

The Board reconvened at 1:10 p.m.

**Board Initiatives & Goals for 2005-06:**

**Procedures within PERB:** Mr. Kahla and Mr. Blank are on the Board Education and Retreat Committee. When the committee met to discuss the retreat, Mr. Blank suggested discussing the Board dealing with so much minutia. Mr. Blank would like the Board to have the opportunity to discuss the broad issues. Mr. Kahla stated the Board should set policies and let the agency staff carry out the procedures.

**Member/Employer Training:** One of the suggestions was to enhance employer training. We currently conduct summer sessions for School employers and meet with the County Clerks during their conventions.

**Ongoing Technology Priorities:** Ms. Sullivan reminded the Board we do have a report we need to present to the Appropriations Committee in December. In her preparation for this, Ms. Sullivan wants to look ahead and see where we want to be in two years, three years, and five years. She would like to have something put together for the October Board meeting. Mr. Peters and Mr. Kahla stated that we need to make it very clear to everyone that the project is completed and the system is up and running.

**Report on Conference Attendance:** Mr. Rea shared information received at the NASRA conference. A PowerPoint presentation called "Understanding Defined Benefit Plans" on the NASRA website can be downloaded and changed as appropriate for use in education of the legislature, etc.

Ms. Sullivan thanked everyone for attending the Retreat.

**Future Meetings/Agendas:** The next meeting will be held on Monday, September 19, 2005, in the TierOne Community Meeting Room at 1221 N Street.

**Adjournment:** Judge Hastings moved that the meeting adjourn. Motion was seconded by Mr. Kahla. Members voted as follows: For: C. Peters, W. Hastings, R. Rea, and D. Kahla. Against: None. Motion carried.

The meeting adjourned at 1:52 p.m.

Anna J. Sullivan  
Director